

ANALYSIS OF AMENDED BILL

Author: Oropeza Analyst: Rachel Coco Bill Number: AB 238
Related Bills: See Legislative History Telephone: 845-4328 Amended Date: January 6, 2004
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Natural Heritage Preservation Tax Credit Act of 2000/Extend Dates

SUMMARY

This bill would extend the years during which the Natural Heritage Preservation tax credit may be awarded and claimed.

SUMMARY OF AMENDMENTS

The January 6, 2004, amendments removed legislative finding language relating to the state's parks and recreational and conservation areas and replaced it with statutory language that would extend the fiscal years in which the Natural Heritage Preservation tax credit may be awarded and claimed.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to continue to encourage taxpayers to donate land to the state, to local governments, or to designated nonprofit organizations.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2005, and would be operative for taxable years beginning on or after that date.

POSITION

Pending

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ X PENDING

Department Director

Date

Gerald H. Goldberg

2/3/04

ANALYSIS

FEDERAL/STATE LAW

Current federal and state tax laws provide various tax credits designed to provide tax relief for taxpayers that incur certain expenses (e.g., child and dependent care credits) or to influence business practices and decisions or achieve social goals.

Under the California Public Resources Code (PRC), the Natural Heritage Preservation Tax Credit Act of 2000 was established to encourage donations of land to the state, to local governments, or to designated nonprofit organizations.

An owner of land must apply to the Wildlife Conservation Board for approval to donate and to certify that the property satisfies certain requirements. If the Wildlife Conservation Board approves the contribution, the contributor of the property may receive a credit equal to 55% of the property's fair market value (FMV). The Wildlife Conservation Board is required to provide an annual listing to the Joint Legislative Budget Committee and the Franchise Tax Board (FTB) containing certain information about each donation.

The Wildlife Conservation Board was authorized to award no more than a total of \$100 million in preservation tax credits to qualified taxpayers beginning fiscal year 2000/2001. The Wildlife Conservation Board may not award preservation tax credits after fiscal year 2004/2005 without further statutory authorization. Although the credit was enacted for use beginning in taxable year 2000, the Wildlife Conservation Board did not begin allocating credits until 2001.

Due to budget constraints during the fiscal year 2002/2003 budget negotiations, amendments were enacted to the Public Resources Code so that no preservation tax credit could be awarded for fiscal year 2002/03. Therefore, any credits that were awarded on or before June 30, 2002, could be claimed on the 2002 tax return. Any credits that could have been awarded, but were not awarded, or any new credits awarded on or after July 1, 2003, could be claimed beginning on the 2003 tax return. Unused credit may be carried forward to subsequent years until the credit is exhausted.

THIS BILL

This bill would extend the years in which the Wildlife Conservation Board may award the preservation credits from fiscal year 2004/2005 to 2005/2006. In addition, this bill would extend the tax credit for contributions made through December 31, 2006.

LEGISLATIVE HISTORY

AB 3009 (Budget Committee, Stats. 2002, Ch. 1033) suspended the authority of the Wildlife Conservation Board to award Natural Heritage Preservation Tax Credits between July 1, 2002, and June 30, 2003, inclusive.

SB 1647 (O'Connell, Stats. 2000, Ch. 113) established the Natural Heritage Preservation Tax Credit Act of 2000 in the PRC and established the tax credits within the Revenue and Taxation Code (R&TC).

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a credit comparable to the credit addressed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Due to uncertainties regarding future allocation patterns under current law, it is not possible at this time to provide a meaningful projection of possible unallocated credits remaining at the end of 2005.

The department, together with the Department of Finance (DOF), is reevaluating current law estimates for this credit, which will result in lower revenue losses under current law. The reason for this is that the previous assumption for credit allocations (i.e., the full \$100 million would be allocated by the end of 2005) is no longer reasonable because allocations are currently not being issued. Therefore, the one-year extension under this bill will result in an unknown future revenue loss. An estimate for this impact is being developed jointly with DOF.

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